

**IN THE TENNESSEE REGULATORY AUTHORITY  
NASHVILLE, TENNESSEE**

IN RE:	)	
	)	
UNITED CITIES GAS COMPANY,	)	
a Division of ATMOS ENERGY	)	Consolidated Docket Nos 01-00704 and
CORPORATION INCENTIVE	)	02-00850
PLAN (IPA) AUDIT	)	
	)	
UNITED CITIES GAS COMPANY,	)	
a Division of ATMOS ENERGY	)	
CORPORATION, PETITION TO	)	
AMEND THE PERFORMANCE	)	
BASED RATEMAKING	)	
MECHANISM RIDER	)	

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**REBUTTAL TESTIMONY OF JOHN HACK**

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- 1 Q. Please state your name, place of employment and title.
- 2
- 3 A. My name is John Hack. I am currently Director of Gas Supply Planning for Atmos Energy
- 4 Corporation ("Atmos" or the "Company"). I have held various positions in Atmos' Gas Supply
- 5 Department since 1969. I have been responsible for the Company's supply function since Atmos
- 6 acquired United Cities Gas. As Director of Gas Supply Planning, one of my primary duties is the
- 7 negotiation and implementation of the Company's gas supply and transportation contracts.
- 8
- 9 Q: Are the same John Hack that provided direct testimony in this docket?
- 10 A: Yes.
- 11 Q: What is the purpose of your rebuttal testimony?
- 12 A The purpose of my rebuttal testimony is to respond to portions of the direct testimony of
- 13 Consumer Advocate and Protection Division ("CAPD") witness Dan McCormac.
- 14

15 Q: On page 5 of his direct testimony, Mr. McCormac, citing a hypothetical set forth in  
16 Attachment A of his direct testimony, argues that allowing Atmos to share in transportation cost  
17 savings may not result in an overall lower cost of gas for the consumer. Would you address this  
18 testimony?

19  
20 A: Yes. Mr. McCormac is incorrect. Allowing Atmos to share in transportation cost savings  
21 will result in an overall decrease in the cost of gas. The hypothetical Mr. McCormac relies upon is  
22 overly simplistic and does not reflect the realities of the Company's gas supply purchases.

23  
24 First, most of the gas supply for Tennessee is produced in Louisiana, Texas and offshore  
25 production areas. As such, the Company has very limited opportunities to buy firm gas from  
26 locations such as Murfreesboro, etc., to serve the Tennessee area. However, when such purchases  
27 are made, (an example would be the NORA purchases), upstream transportation capacity is not  
28 held. If upstream capacity was contracted for in these instances, the Company would be  
29 disallowed the flow through of costs because the allowed reserve margin would be exceeded.  
30 Additionally, if the Company relied entirely on local production, as production declined and was  
31 depleted, upstream pipelines could likely be fully subscribed and the Company would not be able  
32 to procure pipeline capacity without paying costly demand charges based on incremental pipeline  
33 expansion projects.

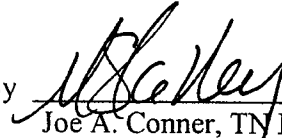
34  
35 Mr. McCormac's hypothetical ignores additional considerations the Company must take into  
36 account in making purchasing decisions, including operational, reliability, and safety concerns.  
37 Purchases without a separate transportation component like the "Murfreesboro" example cited in  
38 Mr. McCormac's hypothetical are not generally backed by primary firm transportation and may  
39 not be available on critical days. In order to meet its service obligations, the Company follows a  
40 general practice of subscribing to primary firm transportation. I am unaware of any purchases that  
41 have ever been made that meet the specifications of Mr. McCormac's hypothetical.

42  
43 Q: Does this conclude your rebuttal testimony?

44  
45 A: Yes it does.

BAKER, DONELSON, BEARMAN  
CALDWELL, & BERKOWITZ, P C.

By



Joe A. Conner, TN BPR # 12031

Misty Smith Kelley, TN BPR # 19450

1800 Republic Centre

633 Chestnut Street

Chattanooga, TN 37450-1800

(423) 752-4417

(423) 752-9527 (Facsimile)

jconner@bakerdonelson.com

mkelley@bakerdonelson.com

Attorneys for Atmos Energy Corporation

**CERTIFICATE OF SERVICE**

I hereby certify that a true and correct copy of the foregoing has been served via U S. Mail, postage prepaid, upon the following this the 9th day of October, 2004.

Russell T. Perkins

Timothy C Phillips

Shilina B. Chatterjee

Office of the Attorney General

Consumer Advocate & Protection Division

P.O. Box 20207

Nashville, TN 37202

Randal L. Gilliam

Staff Counsel

Tennessee Regulatory Authority

460 James Robertson Parkway

Nashville, TN 37243

